

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Rulemaking on the Commission's Own  
Motion to Review the  
Telecommunications Public Policy  
Programs.

FILED  
PUBLIC UTILITIES COMMISSION  
MAY 25, 2006  
SAN FRANCISCO OFFICE  
RULEMAKING 06-05-028

**ORDER INSTITUTING RULEMAKING  
ON TELECOMMUNICATIONS PUBLIC POLICY PROGRAMS****I. Summary**

With this decision, the Commission initiates a comprehensive review of its Telecommunications Public Policy Programs – California LifeLine, Payphones Programs, Deaf and Disabled Telecommunications Program, and California Teleconnect Fund.<sup>1</sup> California is a leader in adopting programs that ensure a ubiquitous and affordable telecommunications system. These programs are funded by surcharges on California jurisdictional revenues of each telephone service provider in California, both landline and wireless providers, with a total cost of over \$350 million per year.

This rulemaking sets out questions to focus discussion on funding, accountability, and whether the program is meeting its statutory goal. Most importantly, we seek proposals to address identified deficiencies in any

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<sup>1</sup> For purposes of the funding mechanism only, we are including the California High Cost Funds A and B in this proceeding. Programmatic review of Funds A and B will be conducted in other proceedings.

program. We are committed to improving our administration of these programs, and we will do so without increasing the total cost.

## **II. Parameters**

Any review of the programs must begin with the original purposes and goals of the program, as articulated by the Legislature in statutes and in our decisions adopting the program. We seek comment on whether the programs are meeting their respective statutory purposes and requirements. To the extent deficiencies are identified, constructive remedial proposals should be provided. Reaching customers potentially eligible for the programs and regular reporting requirements are also topics to be addressed.

When the programs were created, landline telephone service provided by monopoly service providers was the only widely-available form of telecommunications service. Since then, new technologies, such as wireless telephones and Internet-based communications, such as Voice over Internet Protocol (VoIP) have greatly expanded the range of telecommunications services available. In this context, the statutory goals and specifications of the Telecommunications Public Policy Programs may require modernization. The first inquiry is whether the programs remain necessary to achieve the fundamental statutory goal of enhancing universal service and, if so, whether changes are necessary to further this goal in today's competitive and technologically varied telecommunications environment.

At the core of our review of these programs is our duty to be accountable to the people of California. These programs are funded by surcharges on the telephone bills of Californians. We will ensure that the funds obtained from the surcharges are being wisely spent to provide the most advanced telecommunications services to all Californians. Our review will seek ways to

streamline program administration and increase efficiency. A demonstration of cost-effectiveness and progress toward defined goals will be required for each program. We do not foresee the need to increase the total program budgets. We welcome proposals for prudent budget reductions or to redeploy funds, whether within or among programs, to better address current needs.

Our review of California's Telecommunications Public Policy Programs must recognize the important role of similar programs authorized by the Federal Communications Commission. These federal programs complement and provide significant funding for California's Programs. For example, the federal E-Rate Program provided more than \$220 million in support to California schools and libraries in 2005, and the LifeLine/Link-Up program provides 55% of the total funding for the California LifeLine program. The federal program, however, provides these funds only when the low-income customer is served by a carrier that is registered with the federal program.<sup>2</sup> Currently, only 11% of California's customers are not served by registered carriers, but the absence of federal fund contributions is made up with California LifeLine revenue. Consequently, these carriers cost the California LifeLine program approximately twice as much to serve a LifeLine customer as a federally registered carrier. As this example illustrates, deviations from federal requirements can have significant ramifications, and any changes to California Programs must be carefully reviewed with federal requirements in mind.

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<sup>2</sup> Such a carrier is referred to as an ETC, which is an acronym for Eligible Telecommunications Carrier.

### **III. Description and Funding of the Telecommunications Public Policy Programs**

To comply with statutory requirements and achieve universal service goals, over the years the Commission has implemented six Telecommunications Public Policy Programs. Each of the programs has a unique target customer group and goals so each program is designed differently. An overview of each program is set out below. The funding mechanism, however, for all the programs is basically the same, with the exception of the Payphone Program.

Five of the programs are funded by an all-end-user surcharge, which is a percentage applied to customers' intrastate-billed services appearing on their monthly telephone bills, other than LifeLine services. The surcharge levels are updated as needed to ensure adequate funding for the individual program, and are based on the total funding requirement divided by the projected intrastate revenue subject to the surcharge. The Payphone Program is funded by a surcharge on each payphone access line.

#### **A. California LifeLine**

The California LifeLine<sup>3</sup> Program was established in 1984 (D.84-11-028) to comply with the Moore Universal Telephone Service Act, Pub. Util. Code §§ 871-884. It is a means to achieve the public policy goal of providing affordable basic residential telephone service to low-income households. The program is currently funded by a 1.29% surcharge on the intrastate service of telephone service subscribers. There is no cap on the surcharge level. The LifeLine fiscal

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<sup>3</sup> California LifeLine was formerly known as Universal LifeLine Telephone Service

year 2005-06 budget is \$277.4 million and the fiscal year 2006-07 budget is \$290 million.

### **B. Deaf and Disabled Telecommunications Program**

The Deaf and Disabled Telecommunications Program began through the efforts of an employee volunteer program at Pacific Bell Telephone Company, a local telephone carrier now known as AT&T – California, sometime prior to 1978. This volunteer group repaired and sometimes provided equipment to hearing impaired customers. In 1978, the Commission issued Resolution T-9865 authorizing Pacific Bell to revise its tariffs to allow a special rate of \$14.00 per month for a display terminal to certified deaf customers. Subsequent Commission resolutions and Decision 90642 (1979) modified and expanded the program ultimately resulting in the first steps toward formally establishing a program to provide specialized, supplemental equipment to hearing-impaired customers at subsidized rates.

In 1981, the Legislature enacted Pub. Util. Code § 2881, which currently governs the program. The program is comprised of two components: The California Telecommunications Access Project, which lends equipment to eligible customers; and the California Relay Service, which enables eligible customers to use relay service to access the telecommunications network. The current surcharge for the program is 0.27% and cannot exceed one half of one percent. The fiscal year 2005-06 budget is \$66.8 million and the fiscal year 2006-07 budget is \$69 million.

### **C. California Teleconnect Fund**

The Commission established the Teleconnect Fund in D.96-10-066 to provide discounted basic and advanced services to schools, libraries, qualifying

hospitals and health facilities, and community-based organizations. Subsequent resolutions and legislation have expanded and modified the program to increase benefits, expand the number of eligible hospitals, and create a one-time discount on installation cost for advanced services. The Teleconnect Fund is capped at \$55 million per year, but, if necessary, can be raised by staff recommendation via a Commission resolution at any time. The current program surcharge is 0.130%. The fiscal year 2005-06 budget is \$ 20.3 million and the fiscal year 2006-07 budget is \$22 million.

#### **D. California High Cost Fund A and B**

The California High Cost Fund A was created by D.88-07-022 to comply with Pub. Util. Code § 739.3, and is a source of revenue to small local exchange carriers serving high-cost areas of the state. Without this revenue, the basic exchange access line rates charged by the small local carriers would potentially be so high as to threaten the universal service goal of available, affordable service to all California citizens. The current surcharge for the A Fund is 0.21%. The fiscal year 2005-06 budget is \$42.7 million and the fiscal year 2006-07 budget is \$58.8 million.

The California High Cost Fund B was established by D.96-10-066 to comply with Pub. Util. Code § 739.3. It provides subsidies in high cost areas served by large and mid-sized incumbent local exchange carriers. Formerly, these carriers used internal subsidies between low-cost-to-serve areas and high-cost-to-serve areas and subsidies from non-basic services to fund the cost of meeting the state's universal service goals of available, affordable service throughout California. The current B Fund surcharge is 2.0% and the fiscal year 2005-06 budget is \$447.1 million and the fiscal year 2006-07 budget is \$ 434.6 million.

Only the funding mechanism for these California High Cost Funds A and B will be reviewed in this proceeding, due to the similarities to funding mechanisms used by the other programs. High Cost Funds A and B programmatic review will take place in a separate docket.

### **E. Payphone Programs**

Since 1990, the Commission has had two public policy programs for payphones. In D.90-06-018, the Commission established a Public Policy Payphone Program with the purpose of providing payphones to the general public in the interest of public health, safety, and welfare at locations where there would otherwise not be a payphone. The Public Policy Payphone Program has been funded by a monthly surcharge assessed on each payphone access line, but the Commission has not received any requests for funding.<sup>4</sup> Consequently, by Resolution T-16590, the Commission reduced the Payphone Program surcharge from a rate of \$0.08 per line per month to zero, effective December 1, 2001, and where it remains today.

In 1990, the Commission established the Payphone Enforcement Program to enforce tariffs, rules and regulations such as signage requirements, rate caps for local, long distance, and directory assistance calls by inspecting pay telephones. The program is funded by a monthly surcharge assessed on each

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<sup>4</sup> The number of payphone access lines statewide is decreasing significantly:

	2002	2003	2004	2005	2006-April
Total	231,106	205,477	187,105	170,614	136,003

payphone access line, which is currently set at \$0.25. The fiscal year 2005-2006 budget is \$786,000.

#### **IV. 2006 Review of the Telecommunications Public Policy Programs**

Under the leadership of Commissioner Rachelle Chong, the Commission Staff began to prepare for the first formal and comprehensive review of the Telecommunications Public Policy Programs.<sup>5</sup> The preparations included a staff report, written comments, and a well-attended, two-day workshop.

##### **A. Staff Report**

On April 14, 2006, the Commission's Telecommunications, Strategic Planning, and Legal Divisions issued their Staff Report on Public Policy Programs (Staff Report). The Staff Report described each Telecommunications Public Policy Program, including its participants and funding.

The Staff Report also presented several reasons for comprehensive review of the programs. First, the programs have not been reviewed to assess whether they are successful in meeting their goals or complying with any statutory requirements. Second, telecommunications technology has advanced substantially since the inception of the programs, and the current programs may not provide the technology necessary to meet modern telecommunications needs. For example, the LifeLine Program provides subsidized residential local telephone service and does not include any form of wireless telephone service. Today, many low-income persons find that the mobility of wireless service and

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<sup>5</sup> The Commission has recently reviewed and modified our advisory committees as required by Pub. Util. Code §§ 270-281. The advisory committee structure and program governance will not be included in the scope of this proceeding.



the national calling range provides them better value than stationary landline service. Third, program funding may also be affected by changing technology since due to Commission jurisdictional limitations, as the new telecommunications services may not be subject to Public Policy Program funding requirements. Services provided over the Internet, such as VoIP, are a primary example.

Several other new concepts were discussed in the report and presented for consideration. “Technological neutrality” was used to refer to the possibility of expanding the Programs to include telecommunications services provided by other than landline telephone providers, such as wireless services. Such expanded programs would allow customers to choose the means through which they receive telecommunications service, and the program benefit would apply regardless of the technology employed.

“Bundled services” refers to the practice of many service providers who offer discounts to customers purchasing multiple services in a bundle or package. A typical example would be to offer three or more calling features, such as call waiting, call forwarding, or caller identification at a price lower if the three features are purchased separately. The LifeLine Program applies only to basic residential service and thus customers who desire to take advantage of any potentially discounted group of services cannot apply the discounts to the bundles that include basic service. Thus, Lifeline customers are prevented from subscribing to the more economical bundled package. The Staff Report suggested restructuring the program to foster customer choice, while at the same time retaining local telephone service protections.

The Staff Report concluded with an extensive list of questions on each program, and invited written comment.

### **B. Written Comments on the Staff Report**

The following parties provided written comments on the Staff Report: National Consumer Law Center and AARP, jointly; Division of Ratepayer Advocates (DRA); The Utility Reform Network (TURN); Disability Rights Advocates; California Coalition of Agencies Serving the Deaf and Hard of Hearing; Latino Issues Forum; The Greenlining Institute; AT&T - California (AT&T); and, Fones4All Corporation (Fones4All).

The National Consumer Law Center and AARP stated that current telecommunication services have advanced beyond local landline service to include wireless- and Internet-based services, which are particularly valuable to customers with limited mobility, vision and hearing. These developments suggest that the Commission should take a fresh look at these advanced services that have become commonplace since the Programs were created. The need for balance between desirable features and funding needs was also recognized. The comments sought further clarification on the concepts of technological neutrality, bundled services, and understanding why all wireless and some competitive local carriers choose not to offer LifeLine services. Consumer protections, such as disconnection rules, and Program enrollment were also discussed. These comments raised new issues including municipal wireless Internet service;

services for the homeless, including Community Voice Mail;<sup>6</sup> and using fines, penalties, and unclaimed utility deposits to supplement program funding.

DRA's comments supported the goals of the Public Policy Programs – ensuring that telecommunications services are economical and accessible for low-income customers, deaf and disabled customers, and schools and libraries. DRA pointed out that these Programs are funded by surcharges on all other customers, with all customers and the California economic climate benefiting from efficient and effective Programs. DRA recommended that the Commission employ a rigorous cost-benefit analysis to evaluate any proposed program or equipment expansion. DRA also suggested that Commission consider giving customers more control and choice over services and providers.

TURN's comments also urged the Commission to consider the cost impacts of any potential Program expansion. TURN pointed out that the benefits of expansion must be weighed against the costs, if we are to avoid undermining the financial sustainability of the Programs. TURN opposed the conclusion offered in the Staff Report that all Program offerings should be “technologically neutral” and suggested that the Commission should take comment on the definition of the term and whether it is an appropriate goal. TURN also disputed what it characterized as the apparent conclusion in the Staff Report that bundled service offerings necessarily offer customers a better deal than stand-alone

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<sup>6</sup> Community Voice Mail is service provided at no cost to persons in transition seeking employment, housing, and continued connections with family and friends. The service is headquartered near Seattle, Washington, but partners with local service providers to reach clients. Local telephone service, or soon Internet service, is needed to access the voice mail. See [www.cvm.org](http://www.cvm.org).

services. TURN recommended that this Commission be cognizant of federal policy on these Programs, but not surrender autonomy. TURN also mentioned customer privacy and the reliability and accessibility of emergency services with advanced services.

Disability Rights Advocates explained that persons with disabilities have unique telecommunications needs, which the Commission must consider. Specifically, Disability Rights Advocates recommended that the Commission enhance communication and outreach to consumers with disabilities. On the subject of technology neutrality, the group supported the concept but requested flexibility as the needs of disabled persons differ. Similarly, the definition of basic service or service bundles must reflect the unique needs of people with disabilities. Finally, Disability Rights Advocates supported enhanced Program reporting mechanisms for service to disabled persons.

The California Coalition of Agencies Serving the Deaf and Hard of Hearing advocated for increased outreach and marketing efforts for all Programs. The Coalition argued that the LifeLine and Deaf and Disabled Programs should be expanded to include wireless and broadband services and equipment for the Deaf and Disabled. The Coalition also recommended numerous administrative changes, including increasing Commission staff assigned to the Deaf and Disabled Program.

The Latino Issues Forum supported expanding the LifeLine Program to include advanced technologies, such as wireless, and reevaluating the limitation of one account per household. It further recommended using community-based organizations for outreach and enrollment was also supported, as well as automatic enrollment across other utility low-income programs. The Latino

Issues Forum was cautious on the proposal to allow the LifeLine discount to be used for bundled services. It maintained that protections are necessary to ensure that customers are not unduly directed towards expensive bundles, and that basic LifeLine service should be maintained even if the customer is unable to pay the bill for the entire package.

The Greenlining Institute announced that it is conducting a study to assess whether the LifeLine Program serves the technological and social needs of low-income consumers. When available, the study results would be provided to the Commission and interested parties. Greenlining also supported expanding the LifeLine Program to include cellular telephone, broadband Internet, and Voice over Internet Protocol services. Greenlining recommended an information hearing to resolve jurisdictional issues.

AT&T agreed that the programs should be reviewed and, if warranted, modified to optimize telecommunications access for eligible low-income households, ensure modern telecommunications technology is available to the deaf and disabled community, and provide needed telecommunications services to educational and health care institutions, and community-based organizations. AT&T supported redesigning the funding mechanism, enticing broader service provider participation, and enhancing the role of customer choice in the Programs. AT&T proposed that the Commission institute a policy of limiting its authority over any Program service provider to that necessary to administer the program, in an effort to encourage voluntary participation by entities not subject to the Commission's jurisdiction. AT&T supported expanding the definition of basic service in the LifeLine Program but any such expansion must conform to the Federal Communications Commission's guidelines, or would otherwise risk the \$300 million of federal funds received by California for the Program. AT&T

stated that a means test for Deaf and Disabled equipment would allow the Program to focus its resources on those most in need, and provide up-to-date equipment and thorough outreach. AT&T recommended that the Commission consider replacing the discounts in the Programs with rebates. AT&T contended that a rebate approach would allow participants greater choice by including services over which the Commission has no jurisdiction. AT&T also supported continued cost recovery for program administration, and limiting any reporting requirements.

AT&T's most urgent recommendation was that the Commission adopt a different means to determine the LifeLine discount, which is currently set at the lesser of one-half the utility's tariffed rate or AT&T's tariffed rate. AT&T explained that in Rulemaking 05-04-005, the Commission is considering changes to the regulatory framework under which AT&T provides telecommunications service in California. These changes may include modifications to the type of tariffs AT&T is required to file such that AT&T may not have a comparable tariff in the future.

AT&T also provided a proposal for expanding the funding base. AT&T suggested replacing the current surcharge on jurisdictional revenue with an assessment on working telephone numbers. AT&T stated that such a system would provide stability and predictability for both customers and carriers. AT&T provided further detail on its funding proposal during its presentation at the workshop, discussed below.

Fones4All explained that it is a facilities-based, competitive local carrier that specializes in bringing high-quality service to low-income customers, and that it has participated in the LifeLine program for six years. Fones4All

recommended that the Commission reimburse carriers for outreach expenses for the LifeLine Program, and include cellular and Voice over Internet Protocol (VoIP) in the definition of basic service. Fones4All stated that the best way to increase the number of LifeLine service providers would be to allow the carriers to be reimbursed for their actual costs, rather than being capped at the incumbent local exchange carrier's tariffed rate.

### **C. Pre-Rulemaking Workshop**

In anticipation of this proceeding, Commissioner Chong convened a workshop to take comment on the Staff Report and discuss potential issues which could be addressed in this proceeding. The two-day workshop covered issues related to funding the Telecommunications Public Policy Programs, as well as potential improvements to the specific programs. Many parties submitted written comments that are summarized above, and other parties made presentations at the workshop that are summarized below. The workshop was well-attended and lively discussions ensued.

On the funding topic, AT&T explained that it had presented its proposal to fund Public Policy Programs with an assessment on working telephone numbers to the Federal Communications Commission, and that AT&T was cautiously optimistic that the proposal might be acted on by late 2006. This proposal, and the importance of California adopting a funding mechanism that was consistent with the Federal system, were the main topics of discussion on funding. AT&T agreed to provide additional documents that it had prepared for the Federal Communications Commission, which set out further details of AT&T's proposal.

Discussion participants agreed that any funding mechanism must be broad-based and include all technological means of delivering

telecommunications service to ensure program sustainability as well as competitive neutrality. Specifically, participants noted that substantial numbers of customers have migrated from landline telephones to wireless in recent years, and that a similar migration may be underway to VoIP services. AT&T's funding proposal is based on working telephone numbers, regardless of the technology used, and thus would be able to accommodate this type of migration, while being fair to all competitors. AT&T's proposal, however, would set the surcharge at a particular amount, which would remain the same and not fluctuate based on revenue. Pursuant to the current funding system, a customer with a high volume of jurisdictional charges would pay more than a customer with a low volume. Some discussion centered on whether AT&T's proposal would be regressive as lower income customers could be disproportionately impacted by the set fee.

A surprise topic was the Commission's two Public Payphone Programs, which were not included in the Staff Report. A representative of the California Payphone Association offered comments on the two programs – the Payphone Service Provider Enforcement Program and the Public Policy Payphone Program. The Payphone Enforcement Program ensures that all payphones maintain a minimum standard of service and provide 911 and 711 access without charge. The Public Policy Payphone Program acts on requests for payphones to be placed in locations for public policy reasons, rather than the business determinations of the provider. Both programs are funded by a surcharge on each payphone line, which is in jeopardy as the number of payphones has declined from 400,000 to 150,000 over the last eight years. The payphones that remain economically viable may serve low-income and transient customers who are often not included in the telecommunications system.



On the topic of the LifeLine Program, Fones4All and Telscape Communications, carriers that actively seek out LifeLine customers, explained that effective outreach requires being in the places where potential LifeLine customers live and work, as well as providing services in the appropriate language and locations. Compensation for outreach efforts in the form of cost reimbursement or a commission was discussed.

Many participants recommended expanding the LifeLine Program to include other telecommunications services, such as wireless telephones and high-speed Internet access, while other participants raised implementation issues with the proposed expansion. Some of the alternative service providers, such as VoIP, are not currently within the Commission's jurisdiction, and others choose not to participate. Options for enticing participation in an expanded program were discussed. Creating a menu of services to which an expanded LifeLine subsidy might be applied was one idea considered, with a telecommunications coupon being suggested as a means to distribute the subsidy to customers. Such a proposal could advance the goal of being technology neutral by not favoring a particular telecommunications means. The current program is perceived as favoring residential landline telephones because the subsidy may only be applied to that type of service.

Quality of service standards, however, differ among the alternative services. For example, one discussion participant uses wireless service for long distance and convenience but still maintains a landline telephone for service quality and reliability reasons. Also local landline customers enjoy certain non-disconnection advantages over other services.

Most participants agreed that keeping the service affordable was important. Similarly, the cost of any program expansion and the resulting surcharge were identified as critical issues. The majority of discussion participants agreed that the California LifeLine Program should continue to adhere to federal requirements to ensure on-going funding.

The California Teleconnect Fund, and especially the related work of the Commission's staff, was generally praised, but commenters stated that additional outreach to potential customers was needed. Adding community colleges to the list of eligible entities was suggested, as was adding DSL to the list of eligible services. Community-based organizations particularly sought additional outreach efforts. Budgetary limitations for meetings and statutory conflict of interest prohibitions were issues common to all oversight committees. Billing complexity for both the carriers and the applicants was another cited problem.

The California Telephone Access Project provides equipment to persons of limited hearing, mobility, vision, speech, manipulation, and cognition. This project is a component of the Deaf and Disabled Telecommunications Program. The new equipment program name gathered praise as it assists in marketing the program to persons who could benefit from the equipment but who would not described themselves as "disabled."

To date, the equipment program has been free of charge to qualified customers. The proposal to limit equipment program eligibility based on income was generally opposed, because current program funding is below the entire authorized surcharge level. Concerns were raised about replacing the current equipment-based program where the state lends equipment free of charge with a

coupon to purchase equipment. The current system provides customers with unbiased advice in equipment selection and training in proper use.

Organizational recommendations included designating one person in the Commission Telecommunications Division to handle all Program issues, adding Commission staff with disability expertise similar to the FCC's Disabilities Rights Office, and issuing a master services contract for staff work.

Incorporating new and emerging technology into the current landline only program was the primary topic of many presentations and of the ensuing discussion. Wireless telephones, Internet-based communication, and video allow disabled customers to achieve the level of communication convenience and reliability available to other customers, a concept referred to as "functional equivalence." The program, however, is currently exclusively tied to landline telephone equipment, and thus has become less relevant to some portions of the disabled community. For example, Internet-based, two-way video conferencing could provide critical communication capability for persons using sign language to communicate, but is not included in the current Program. Similarly, a wireless service with text messaging capability would enable mobile text-based communications for those customers who require it. High-speed Internet service was mentioned most often as a needed service that the current program does not include.

The advisory committees are in the process of preparing a request that the Commission expand the current Program to include wireless equipment. The Commission's legal counsel has informally advised that such an expansion would be consistent with existing law. Also in progress are negotiations with service providers for discounted service charges. Monthly service charges of any type are not included in the Program.

The need for a variety of options to meet individual needs was also emphasized. Commenters maintained that customers need a broader range of choice among technologies and services to meet their particular needs.

## **V. Request for Further Comments and Proposals**

The purpose of this OIR is to review and, where necessary, revise the Commission's Telecommunications Public Policy Programs. The preliminary work has greatly advanced this purpose and we are now ready to inaugurate a formal process to consider revisions to our Programs.

Interested parties should provide further comments and specific proposals as set forth in the schedule below. To guide the parties' work, we have provided a few core questions on each topic, which should not be interpreted as limitations but rather as beginning points. We encourage all proposals for change to explicitly address consistency with statutory goals, necessity, feasibility and cost effectiveness. Again, remedial proposals should be included when identifying program deficiencies.

### **A. Funding Mechanism (LifeLine, Access, Teleconnect, and High-Cost A&B)**

1. Is the surcharge on intra-state telephone services currently a suitable mechanism for assessing and collecting revenue the Programs?
2. Is the suitability of the current surcharge mechanism expected to change in the foreseeable future?
3. What are the necessary features of any replacement mechanism?
4. What funding mechanism might better achieve funding goals?
5. Please provide funding mechanism proposals that will maintain funding in the face of market and regulatory changes.

**B. California LifeLine**

1. Is the current LifeLine Program achieving its statutory goals?
2. Is the concept of providing basic service over a landline telephone system an appropriate way to advance universal service goals given advances in communications technology?
3. Do federal program requirements impose practical limitations on revisions to the California LifeLine Program? If so, what are those limitations?
4. Should the program be revised to reflect technological changes in telecommunications services? If so, how? What are the estimated costs of such revisions? What are the projected, specific benefits? Would the revisions require statutory changes? If so, what is the likely time frame for adoption of the revised statutes?
5. Please provide any other proposals to maintain this program in the face of market and regulatory changes.

**C. Deaf and Disabled Telecommunications Program**

1. Is the current program achieving its statutory goals?
2. Should the program be revised to reflect technological changes in telecommunications services? If so, how? What are the estimated costs of such revisions? What are the projected, specific benefits? Would the revisions require statutory changes? If so, what is the likely time frame for adoption of the revised statutes?
3. Should the program be available regardless of the income of the customer? If income should be a factor, how should eligibility be structured and administered? Are there any synergies with other universal service programs that could be used to further the goals of both programs?
4. Given limited resources, is it more important to expand the program to include new technologies or to keep the current landline program available to all customers regardless of income?
5. If an income limitation were necessary to preserve the program, what is an appropriate income limitation?

6. Please provide proposals for revising the Deaf and Disabled Telecommunications Program in the face of market and regulatory changes.

**D. California Teleconnect**

1. Is this program achieving its goals?
2. Should the program be revised to reflect technological advances in telecommunications services? If so, how? What are the estimated costs of such revisions? What are the projected, specific benefits? Would the revisions require statutory or jurisdictional changes? If so, what is the likely time frame for adoption of the changes?
3. What is the cause of the significant fluctuation in the annual number of program participants? And how could this cause be addressed?
4. Are non-profit entities serving transient persons eligible for the program and, if not, should the program be expanded to include these entities?
5. Please provide proposals for improving the California Teleconnect Program.

**E. Payphone Provider Enforcement and Public Policy Payphone Programs**

1. What is the current status of these programs? What is the current funding mechanism, and is it sufficient?
2. What is the current and forecasted state of the payphone market?
3. Are these programs achieving their goals?
4. In light of changing telecommunications services and technology, are these programs necessary to achieve universal service objectives?
5. Please provide proposals for modifying the Payphone Programs in light of market and regulatory changes.

## **VI. Procedural Schedule**

We envision parties engaging in a collaborative process to develop and consider any proposals for changes to the programs. We hope that such a process will lead to consensus proposals that carefully balance the often competing needs inherent in public policy programs. Our Telecommunications Division staff, and other staff as needed, is available to facilitate the collaborative process.

To get this proceeding started, we will schedule filing dates for initial comments and proposals, and responsive filings. The Assigned Commissioner and Administrative Law Judge may change these dates as needed, and will adopt any further procedural processes.

July 28, 2006	Initial Comments and Proposals, filed and served
September 15, 2006	Reply Comments, filed and served

## **VII. Public Participation Hearings**

A critical component of our review of these Programs will be direct feedback and suggestions from actual participants. We are particularly interested in practical issues that are causing unnecessary barriers to program participation. We plan to conduct well-publicized Public Participation Hearings throughout the state, and our Public Advisor is currently engaged in the extensive planning required for such an endeavor. We expect to hold at least three hearings, with one each in the northern, central, and southern regions of the state. The Assigned Commissioner and ALJ will notify the parties when the schedule has been finalized.

### **VIII. Service List**

The temporary service list for this proceeding shall be the combined lists from R.01-05-046 and R.04-12-001, the most recent two proceedings addressing universal service issues.

The official service list shall be comprised of all persons requesting to be included on the service list. Such requests should be sent to the Commission's Process Office via electronic mail (ALJ\_Process@cpuc.ca.gov) or by postal mail (Process Office, CPUC, 505 Van Ness Avenue, San Francisco, California 94102). To be included on the service list for initial comments and proposals, these requests must be received no later than July 13, 2006. The service list compiled by the Process Office as of July 26, 2006, shall be the official service list for use in serving initial comments and proposals. The Process Office's list effective on September 12, 2006, shall be the service list for the responsive filing.

### **IX. Preliminary Scoping Memo**

This OIR is instituted for the purpose of reviewing the Telecommunications Public Policy Programs. We seek comments on the programs and proposals for modifications to the programs as described above. The advisory committee structure and program governance will not be included in the scope of this proceeding.

This rulemaking is preliminarily determined to be a quasi-legislative proceeding, as that term is defined in the Commission's Rules of Practice and Procedure, Rule 5(d). It is contemplated that this proceeding shall be conducted through a written record and Public Participation Hearings. An order will issue on the merits based record established in this docket. The Commissioner and the Administrative Law Judge assigned to this OIR, however, may deem evidentiary hearings necessary.



Interested parties are invited to file opening and reply comments as described above. Persons or entities filing opening comments shall include with their comments any objections they may have regarding the categorization of this proceeding as quasi-legislative, their position as to whether there is a need for an evidentiary hearing, and any objections to this preliminary scoping memorandum, pursuant to Commission Rules of Practice and Procedure, Rule 6(c)(2). Comments shall conform to the requirements of the Commission's Rules of Practice and Procedure, Article 3.5 (Rulemaking). Parties filing comments are placed on notice that if hearings are held they may be required to provide testimony to support any assertions of fact. In the event that the assigned Commissioner determines that a prehearing conference is necessary, it shall be set by ruling.

**IT IS ORDERED** that:

1. A rulemaking is instituted for the purpose of reviewing the Telecommunications Public Policy Programs.
2. This rulemaking is preliminarily determined to be a quasi-legislative proceeding as that term is defined in the Commission's Rules of Practice and Procedure, Rule 5(d).
3. Any person or entity that seeks to participate in this proceeding should send a written request, by mail or email, to the Commission's Process Office (Process Office, Room 2000, 505 Van Ness Avenue, San Francisco, CA 94102 or [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov)). The request must include the following: (1) the full name of the person or entity upon whom service should be made (if the participant is an entity, the full name of the entity's representative for service of process); (2) the postal address, telephone number, and email address of the

person or entity to be served; and (3) the service category desired (Appearance, State Service or Information Only). To be included in the service list for the initial comments and proposals these requests must be received no later than July 13, 2006. The service list compiled by the Process Office as of July 26, 2006, shall be the official service list for use in serving initial comments and proposals. The Process Office's list effective on September 12, 2006, shall be service list for the reply comments.

4. The temporary service list for this proceeding shall be the combined service lists from Rulemakings 01-05-046 and 04-12-001.

5. Comments shall conform to the requirements of the Commission's Rules of Practice and Procedure, Article 3.5 (Rulemaking), and shall be filed with the Commission's Docket Office and served in conformance with the schedule below:

July 28, 2006	Initial Comments and Proposals, filed and served
September 15, 2006	Reply Comments, filed and served

6. The Assigned Commissioner or the assigned Administrative Law Judge shall set a date for a pre-hearing conference in the event that it is determined that one needs to be held.

7. Pursuant to Commission Rules of Practice and Procedure, Rule 6(c)(2), parties shall include with their opening comments any objections they may have regarding the categorization of this proceeding as quasi-legislative.

8. The Executive Director shall cause this OIR to be served on all telecommunications carriers, including wireless carriers.

9. The Assigned Commissioner or the Assigned Administrative Law Judge shall have ongoing oversight of the service list including late requests to be

added to the service list, and may institute changes to the list or the rules governing it, as needed.

This order is effective today.

Dated May 25, 2006, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
Commissioners